The Honorable Marsha J. Pechman

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

BEACON PLUMBING & MECHANICAL, INC.,

Plaintiff,

v.

SPOSARI INC. d/b/a/ MR. ROOTER PLUMBING SERVICES, MR. ROOTER LLC, THE DWYER GROUP, INC., THE DWYER GROUP LLC, and JOHN DOES 1-100,

Defendants.

Case No. 2:15-cv-01613

DEFENDANTS' PARTIAL MOTION TO DISMISS AND MEMORANDUM IN SUPPORT THEREOF

NOTE ON MOTION CALENDAR: DECEMBER 18, 2015

ORAL ARGUMENT REQUESTED

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Defendants Sposari Inc., d/b/a Mr. Rooter Plumbing Services, Mr. Rooter LLC, The Dwyer Group, Inc., and the Dwyer Group LLC (collectively, "Defendants") hereby respectfully move the Court to dismiss the First, Fourth, Fifth, and Sixth claims for relief pursuant to Fed. R. Civ. P. 12(b)(6).

This case arises from an internet advertisement, placed through Google AdWords, targeting potential plumbing service customers in the Seattle, Washington area. Am. Compl. ¶ 3. At core, Plaintiff Beacon Plumbing & Mechanical, Inc. ("Plaintiff") alleges that Defendants' advertisement misled citizens in Seattle to retain Mr. Rooter Plumbing Services (a locally-owned franchise) instead of Plaintiff's service. Am. Compl. ¶ 6.

Plaintiff purports to expand a local dispute involving state law claims to implicate nationwide federal causes of action. Yet for each federal claim, Plaintiff seeks expanded statutory and/or compensatory damages without properly pleading facts to support that cause of action. Plaintiff's hopes for a windfall rest on its assertion of statutory claims that do not fit the circumstances of this case. In an effort to return this action to its realistic scope, Defendants move to dismiss the following counts in Plaintiff's Amended Complaint:

First, Defendants move to dismiss Plaintiff's trademark dilution claim in Count I of the Amended Complaint. That claim can only survive where Plaintiff's mark has achieved nationwide fame. Plaintiff's Amended Complaint, however, makes clear that its mark is plausibly famous only in the Seattle area. Am. Compl. ¶¶ 2, 17, 20, 23. The Lanham Act, under which Plaintiff seeks relief, was amended to specifically eliminate such local marks from falling within the bounds of federal trademark dilution protection.

Second, Defendants move to dismiss Plaintiff's false advertising claim in Count IV of the Amended Complaint. Federal law requires that only "material" false advertisements, meaning those that impact the decision of the customer, may support a false advertising claim. Plaintiff claims only that the disputed advertisement takes customers to Defendants' clearly-marked

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website. Am. Compl. ¶¶ 27–28. Because no reasonable consumer would be confused about which service it was choosing, Plaintiff's false advertising claim cannot and does not plausibly allege materiality and fails to as a matter of law.

Third, Defendants move to dismiss Plaintiff's claim under the Anticybersquatting Consumer Protection Act in Count V of the Amended Complaint. Under that act, only certain "domain names" qualify for protection. The specific domain name that Plaintiff alleges violates the act is not a qualifying domain name, and therefore Plaintiff's claim is not recognizable under that statute.

Finally, Defendants move to dismiss Plaintiff's claim under the Washington Consumer Protection Act in Count VI of the Amended Complaint. That act requires each claimant to show a "public interest impact," meaning the harm will repeat against other plaintiffs. Plaintiff has not, and cannot, allege any impact to the public interest, because no potential plaintiffs will suffer similar harm from an advertisement identifying only Plaintiff. Plaintiff's private dispute falls soundly outside the act's intended zone of protection.

STANDARDS OF REVIEW

A. Federal Rule Civil Procedure 12(b)(6)

A Rule 12(b)(6) "[d]ismissal can be based on the lack of a cognizable legal theory or the absence of sufficient facts alleged under a cognizable legal theory." *Balistreri v. Pacifica Police Dep't*, 901 F.2d 696, 699 (9th Cir. 1990). A plaintiff is required to allege "enough facts to state a claim to relief that is plausible on its face." *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007). Labels, conclusions, formulaic recitations of the elements of a cause of action, and naked assertions devoid of factual enhancement will not pass muster under Rule 12(b)(6). *Id.* at 557; *Western Mining Council v. Watt*, 643 F.2d 618, 624 (9th Cir. 1981).

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B. Federal Rule of Civil Procedure 9(b)

Courts in this district apply the heightened pleading requirement of Rule 9(b) to fraud-based claims under the Lanham Act. *See A.H. Lundberg Assocs., Inc. v. TSI, Inc.*, No. C14-1160JLR, 2014 WL 5365514, at *7 (W.D. Wash. Oct. 21, 2014) (quotation marks omitted). Rule 9(b) mandates that a party alleging fraud "must state with particularity the circumstances constituting fraud." Fed. R. Civ. P. 9(b). A plaintiff must "include the who, what, when, where, and how of the alleged false advertising." *Vess v. Ciba-Geigy Corp. USA*, 317 F.3d 1097, 1106 (9th Cir. 2003) (quotation omitted).

ARGUMENT

A. Plaintiff's Federal Claims Fail as a Matter of Law

Plaintiff raises three federal claims, all arising out of the same alleged conduct. None of these claims adequately state a claim upon which relief can be granted. First, the trademark dilution claim must be dismissed because Plaintiff cannot and does not plausibly allege nationwide fame as required under 15 U.S.C. §1125(c). Second, Plaintiff's federal false advertising claim must be dismissed because Plaintiff fails to plausibly allege that the putative misrepresentation was "material" as courts have construed that element. Third, Plaintiff's claim under the Anticybersquatting Consumer Protection Act, 15 U.S.C. §1125(d) ("ACPA"), fails because the allegations pertain to purported conduct involving a "third-level domain name," which falls outside the ambit of the ACPA.

1. Plaintiff Cannot State a Trademark Dilution Claim Under 15 U.S.C. §1125(c)

Plaintiff's first claim alleges a violation of the federal trademark dilution statute, 15 U.S.C. §1125(c)(1), resulting from a Google AdWords link that included the word "Beacon." Am. Compl. ¶¶ 34–42. To state a claim for federal trademark dilution, a plaintiff must "show that (1) the mark is famous and distinctive; (2) the defendant is making use of the mark in

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commerce; (3) the defendant's use began after the mark became famous; and (4) the defendant's use of the mark is likely to cause dilution by blurring or dilution by tarnishment." *Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628, 634 (9th Cir. 2008). By statute, in order for a mark to be famous and distinctive, the mark must be "widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner." §1125(c)(2)(A).[1] After all, "[d]ilution is a cause of action invented and reserved for a select class of marks—those marks with such powerful consumer associations that even non-competing uses can impinge their value." *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir. 1999).

Plaintiff does not allege that its "Beacon" mark has prominence outside of the state of Washington, or that it is recognized outside of the niche market of plumbing, heating and mechanical services. Instead, Plaintiff emphasizes the brand's distinctiveness for "plumbing, heating, and mechanical services" in the "greater Puget Sound area," Am. Compl. ¶¶2, 17, including "Seattle, Tacoma, Everett, Olympia, Kent, and neighboring areas," *id.* ¶ 17. The only arguable reference to nationwide recognition is Plaintiff's allegation that its advertising campaigns received national media attention because they starred an NFL player from the Seattle Seahawks. *Id.* ¶17. Plaintiff is unable to adequately support a claim that the "general consuming public of the United States" would recognize its mark and, indeed, concedes that Beacon is only

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[1] In 2006, Congress amended §1125(c)(2)(A) to require that famous marks be recognized by the "general consuming public of the United States." *See* Trademark Dilution Revision Act of 2006 ("TDRA"). Legislative history makes clear that the amendment was intended to emphasize the extremely limited class of "famous" marks and eliminate the possibility that locally prominent marks would qualify. *See* 4 McCarthy on Trademarks and Unfair Competition § 24:105 (4th ed.) ("One of the purposes of the 2006 TDRA statutory revisions was to prevent courts from labeling a mark as 'famous' because it was well-known only in a local geographical territory or in a local product or service line."); Testimony of Anne Gundlefinger, President, International Trademark Association, before House Subcommittee on Courts, the Internet and Intellectual Property, Committee on the Judiciary, February 17, 2005, (109th Cong., 1st Sess.), 2005 WL 408425 ("[M]arks that are famous in a niche product or service market or that are recognized only in a limited geographic region will not qualify for federal dilution protection."); *see also Coach Servs., Inc. v. Triumph Learning LLC*, 668 F.3d 1356, 1372 (Fed. Cir. 2012) ("By using the 'general consuming public' as the benchmark, the TDRA eliminated the possibility of 'niche fame,' which some courts had recognized under the previous version of the statute.").

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"one of the *area's* most recognizable businesses". Am. Compl. ¶20 (emphasis added); *see Clearly Food & Beverage Co. v. Top Shelf Beverages, Inc.*, No. C13-1763JLR, 2015 WL 1926503, at *17 (W.D. Wash. Apr. 28, 2015); *Thane Int'l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 907 (9th Cir. 2002) (concluding the famousness analysis is narrow to limit protection to "truly prominent and renowned" marks (quotation omitted)); *Jada Toys, Inc.*, 518 F.3d at 635 (concluding a jury could find the "HOT WHEELS" mark had nationwide fame where it was used for thirty-seven years, has been promoted through $350 million dollars of national advertising, and more than three billion units bearing the mark have been sold).

2. Plaintiff Cannot State A Federal False Advertising Claim Under 15 U.S.C. § 1125(a)(1)

Plaintiff's federal false advertising claim under 15 U.S.C. § 1125(a)(1) also falls short of the required pleading standards. Courts in this district require claims for false advertising to be pleaded with particularity, including allegations that: (1) "the opposing party made a false statement of fact in a commercial advertisement or promotion about his own or another's product;" (2) "the statement actually deceived or has the tendency to deceive a substantial segment of its audience;" (3) "the deception is material, in that it is likely to influence the purchasing decision;" (4) "the party caused its false statement to enter interstate commerce;" and (5) "there has been or will be injury as a result." *Cook, Perkiss and Leihe, Inc. v. Northern California Collection Servs., Inc.*, 911 F.2d 242, 244 (9th Cir. 1990). Here, Plaintiff's false advertising claim sounds in fraud as it alleges Defendants "deliberately included the name 'Beacon' throughout their advertisement with the intent to deceive." Am. Compl. ¶ 54. Yet even though Plaintiff must satisfy the heightened pleading requirements of Rule 9(b), Plaintiff offers no facts to assert that the alleged false advertising was material, *i.e.* that the advertisement was likely to influence customers' purchasing decision. *See Multi Time Mach., Inc. v. Amazon.com, Inc.*, No. 13-55575, 2015 WL 6161600, at *5 (9th Cir. Oct. 21, 2015) (concluding

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as a matter of law that no reasonable customer would be confused when search results directed them to a different product than their search requested, because all products were "clearly labeled").

Although Plaintiff claims that it was injured through "lost sales and damage to goodwill and reputation," Am. Compl. ¶ 55, such naked assertions do not establish the materiality of Defendants' alleged advertisement. Plaintiff's sole statement suggesting materiality is that the company "experienced a substantial decrease in customer calls and sales during the period of May and June 2015, which was actually and proximately caused by Defendants' Advertisement." *Id.* ¶ 29. But this conclusory allegation does not demonstrate materiality. Neither could Plaintiff modify its Complaint to overcome the fundamental break in the chain of misrepresentation: no customer who used the allegedly deceptive link would be confused about which product it was purchasing. Plaintiff recognizes that the Mr. Rooter website was clearly marked, with a large "prominent" logo. Am. Compl. ¶ 28. Any reasonable customer would know that Plaintiff's service was distinct from Defendants' service. *See Multi Time Mach., Inc.*, 2015 WL 6161600, at *5. Plaintiff's false advertising claim does not and cannot plausibly allege necessary factual support and therefore fails as a matter of law.

3. Plaintiff Cannot State an ACPA Claim

Plaintiff also cannot state a claim under the Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d), because the domain featured in Plaintiff's Complaint is a "third-level domain" that does not fall within the ACPA's reach. Domain names fall into a number of categories that reflect their hierarchy within the Internet.[2] A defendant violates the ACPA if it registers, traffics in, or uses a "domain name" that is "identical or confusingly similar" to a

[2] A "top-level" domain is the final part of a domain name, such as ".com" or ".org." So-called "second-level" domains are organized directly below the top-level domain. For example, in "domain.com," the second-level domain is "domain." A "third-level" domain falls under the second-level domain and is written directly to its left. For additional explanation of the different levels, see Leland Gardner, *Domain Name Cases 2010-2011*, 67 Bus. Law. 361, 363–64 (2011).

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distinctive mark, 15 U.S.C. § 1125(d)(1)(A)(ii)(I), with bad faith intent to profit from the mark, *id* § 1125(d)(1)(A)(i). Under 15 U.S.C. §1127, a "domain" is defined as a mark "that is any alphanumeric designation which *is registered with* or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet." (emphasis added). The Lanham Act only recognizes registration for "top-level" and "second-level" domains; logically, then, "third-level domain" names cannot be registered, and such names do not qualify under the ACPA. *See, e.g., GoForIt Entm't, LLC v. DigiMedia.com L.P.*, 750 F. Supp. 2d 712, 723 (N.D. Tex. 2010) (granting summary judgment in favor of defendant facing ACPA claims where the alleged violation occurred only on third-level domains).

Here, the element of Defendants' website that allegedly violated federal law was a third-level domain. In the relevant link "beacon.callnow-plumber.com," the top-level domain is ".com." The second-level domain is "callnow-plumber." An ACPA violation might occur if "beacon" appeared in either of these two places. However, the disputed term "beacon" only appears as a third-level domain, which cannot form the basis of an ACPA claim.

B. Plaintiff Cannot State a Claim Under the Washington Consumer Protection Act

Plaintiff's Washington Consumer Protection Act ("WCPA") claim also fails. To bring a successful claim under the WCPA, a plaintiff must prove "(1) [an] unfair or deceptive act or practice; (2) occurring in trade or commerce; (3) public interest impact, (4)[an] injury to plaintiff in his or her business or property, [and] (5) causation." *T-Mobile USA, Inc. v. Huawei Device USA, Inc.*, No. C14-1351RAJ, 2015 WL 4308682, at *8 (W.D. Wash. July 14, 2015) (quoting *Hangman Ridge Training Stables, Inc. v. Safeco Title Ins.*, 105 Wash.2d 778, 719 P.2d 531, 533 (1986)). To satisfy the "public interest impact" prong, and distinguish a claim properly brought

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under the WCPA from a mere private dispute, courts evaluate "the likelihood that additional plaintiffs have been or will be injured in exactly the same fashion." *Id.*

Here, Plaintiff fails to allege sufficient facts to support the "public interest impact" element of its WCPA claim. Although Plaintiff alleges that the Defendants' conduct "has the capacity to deceive substantial portions of the public," and "is injurious to the public interest," such conclusory statements are not accompanied by any allegations that additional plaintiffs will be injured in the same fashion.[3] *See id.* Thus, Plaintiff's recitation of the elements of the claim does not suffice. Am. Compl. ¶¶ 64–65. Indeed, those sort of allegations are the very kind that the Supreme Court warned against in *Twombly*, namely "a formulaic recitation of the elements of a cause of action [that] will not do." *Twombly*, 550 U.S. at 555. Nowhere in the fifteen-page Amended Complaint does Plaintiff offer any factual allegations that explain how the Defendants' allegedly deceptive behavior was capable of repetition as to other plaintiffs. Importantly, Plaintiff does *not* allege that the Defendants targeted any other company with their marketing efforts; all allegations pertain to the "Beacon" name and mark. Am. Compl. ¶¶ 31–33, 64. That omission is fatal to Plaintiff's burden to establish that other plaintiffs are at risk of suffering the same injury. Stated another way, Plaintiff's alleged injury is necessarily unique to Plaintiff. In short, Plaintiffs' "naked assertion[s]" of public interest impact are devoid of "further factual enhancement" and require dismissal. *Id.* at 557.

CONCLUSION

Plaintiff cannot state a claim under the Lanham Act, Anticybersquatting Consumer Protection Act, or Washington Consumer Protection Act. Plaintiff's First, Fourth, Fifth, and Sixth claims for relief should therefore be dismissed, with prejudice, pursuant to Fed. R. Civ. P. 12(b)(6).

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[3] Neither is this a case in which the Plaintiff benefits from *per se* public interest impact, occurring in instances where the statute at issue explicitly provides for a cause of action. *T-Mobile*, ___ F. Supp. 3d at ___, 2015 WL at *9.

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DATED this 13th day of November, 2015.

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CERTIFICATE OF SERVICE

I hereby certify that on November 13, 2015, I electronically filed the foregoing **DEFENDANTS' PARTIAL MOTION TO DISMISS AND MEMORANDUM IN SUPPORT THEREOF** with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to the following:

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